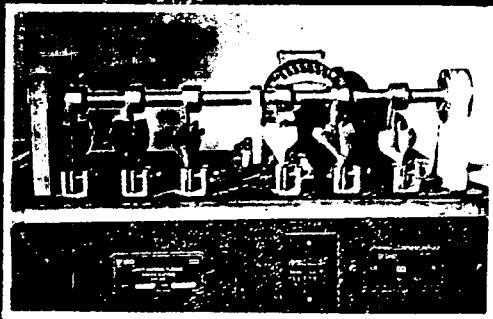
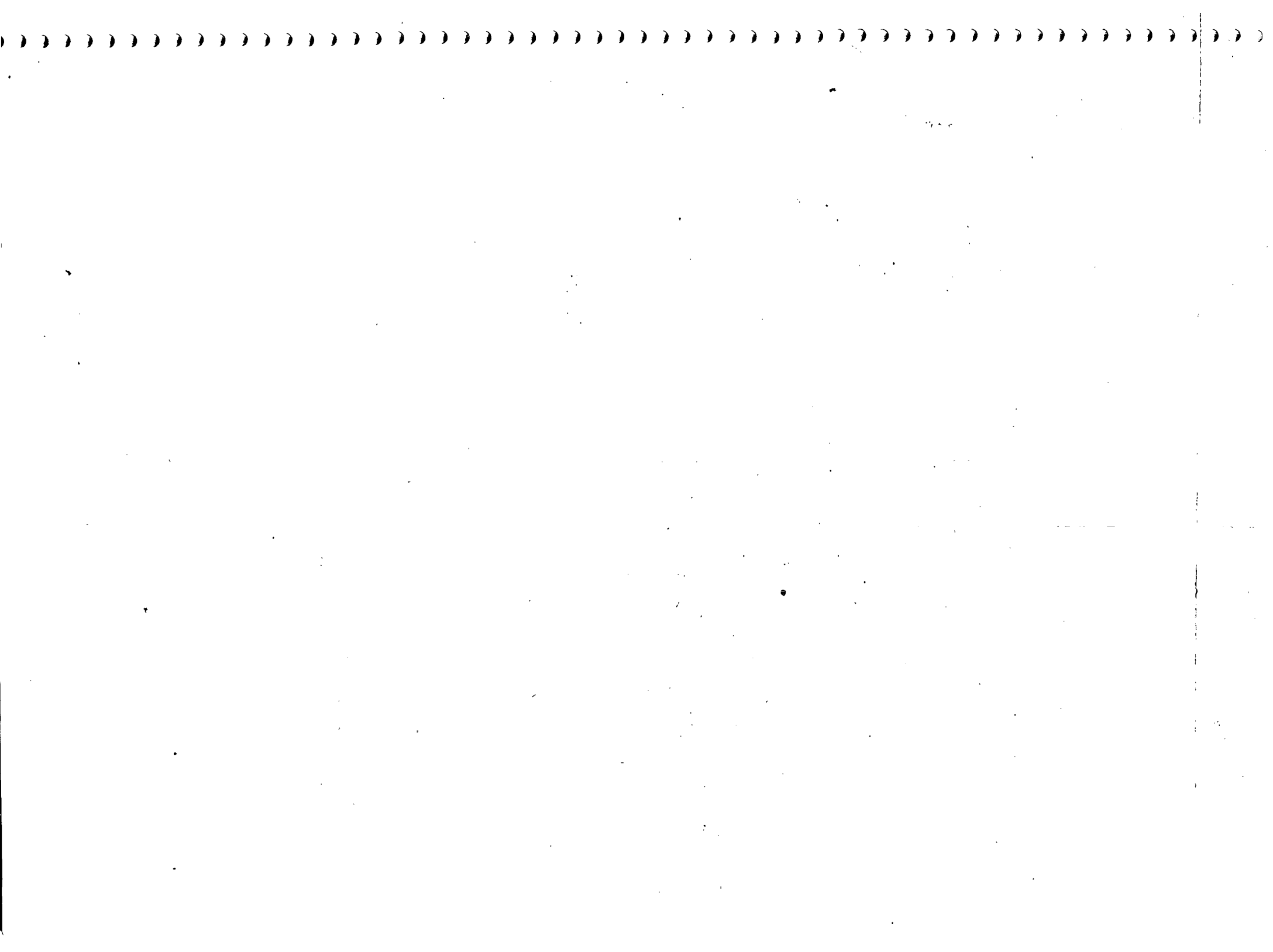


12th Annual Report 1996 - 97



HARYANA LEATHER CHEMICALS LTD.
AN ISO - 9002 Company



HARYANA LEATHER CHEMICALS LIMITED

BOARD OF DIRECTORS

N.K.Jain
 Renu Poplai (Nominee - IFCI)
 H.K.Gupta
 H.C. Dutta
 Piero Tranchinetti
 Dr. Massimo Medini
 V.K.Garg
 Pankaj Jain, *Managing Director*

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		✓

SECRETARY

Tomy Joseph

AUDITORS

S.C.Dewan & Co.

REGISTRAR & SHARE TRANSFER AGENTS

Magnum Business Services Pvt. Ltd.
 35-A Sant Nagar, East of Kailash
 New Delhi 110 065

HEAD OFFICE

B-316-319, Som Datt Chambers-I
 Bhikaji Cama Place
 New Delhi 110 066

REGISTERED OFFICE AND WORKS

72-77, Industrial Estate
 Hansi Road
 Jind 126 102

CORPORATE EXECUTIVES

N.N.Batabyal-Corporate Planning,
 P.Behi-Finance & Accounts
 Dr. P.L. Maurya-Works

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NOTICE

Notice is hereby given that the TWELFTH Annual General Meeting of the Members of Haryana Leather Chemicals Limited will be held on 30th September, 1997 at 11.30 A.M. at its Registered Office at 72-77 Industrial Estate, Hansi Road, Jind to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To consider to appoint a Director in place of Mr. V.K. Garg, who retires by rotation and being eligible, offers himself for reappointment.
3. To consider to appoint a Director in place of Mr. H.K. Gupta, who retires by rotation and being eligible, offers himself for reappointment.
4. To consider to appoint Auditors to hold office from the conclusion of this Annual General Meeting and till the conclusion of next Annual General Meeting, and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.
"Resolved that the sub clause 1 of Object Clause III (A) of Memorandum of Association be and is hereby amended by substituting the following new clause :
'To carry on the business of Leather Finishing Chemicals and Auxiliaries, Acrylic Binders, Adhesives for various substrates, Cross Linking, PVC Impact Modifier, Shoe Adhesives, Shoe Finishes, Other Miscellaneous Chemicals related thereto.'"
6. To consider and if thought fit, to pass with or without modification(s) the following as a Special Resolution
"Resolved that the Article of Association be and is hereby altered by substituting for article 124, the following new article:
'The Directors may be paid sitting fee for each meeting of the Board or a Committee thereof as may be fixed by the Board of Directors not exceeding such sum as may be prescribed under the Companies Act, 1956 from time to time for each meeting attended by him /them.'"
7. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution.
"Resolved that the Articles of Association be and is hereby altered by substituting for the words 'Haryana State Industrial Development Corporation Limited', the words 'N.K. Jain & Associates' appearing in article 141."
8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.
"Resolved that the Articles of Association be and is hereby altered by deleting article 5".
9. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.
"Resolved that the Articles of Association is hereby altered by substituting for article 118(c), the following new article:
'N.K. Jain & Associates being the promoters of the Company shall be entitled to nominate six Directors on the Board of 11, out of which the Chairman and the Managing Director nominated by the promoters (N.K. Jain & Associates) shall not be liable to retire by rotation and the provisions of these Articles as to retirement of Directors shall not apply to them. The Directors so nominated shall hold office at the pleasure of the promoters and shall have full powers to remove any such Director and to nominate any other person in his/her place.'"
10. To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution
"Resolved that the authorised share capital of the company be and is hereby increased to Rs. 7.00 crores and the clause V of Memorandum of Association of the company be substituted with the following new clause :
'The Share capital of the company is Rs. 7.00 Crores (Rupees Seven Crores) divided in to 70,00,000 (seventy lacs) equity shares of Rs. 10/- (Rupees Ten) each.'"
11. To consider and if thought fit, to pass with or without modifications the following as a Special Resolution
"Resolved that pursuant to the provisions of section 31 and other applicable provisions, if any of the Companies Act, 1956 the existing article 4 of Articles of Association of the company be substituted with the following new article :
'The Share Capital of the company is Rs. 7.00 Crores (Rupees seven crores) divided into 70,00,000 (seventy lacs) equity shares of Rs. 10/- (Rupees ten) each. The Company has the power from time to time to increase or reduce its capital. Any of the said shares and any new shares hereafter to be created may from time to time be divided into shares of several classes and allow so that the shares of each class may have or confer such preferred or other special rights and privileges and may be issued under such restrictions and conditions whether in regard to dividend, voting, return of capital or otherwise as shall have been assigned thereto by or under



provisions of the Articles of Association but so that the special rights or privileges belonging to holders of any shares issued with preferred or other rights shall not be varied or abrogated or affected except with such sanction as is provided for hereinafter."

12. To consider and, if thought fit, to pass the following resolution, with or without modification(s), as Special Resolution :
- (i) "Resolved that pursuant to the provisions of Section 81 (1-A) and other applicable provisions, if any of the Companies Act, 1956 (including any amendment to or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions from the Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI), Financial Institutions (FIS) and other concerned Authority(ies), if any and as may be required under any Law for the time being in force or otherwise and subject to such conditions, alterations, deletions or modifications as may be prescribed or imposed by them in granting such approvals, consent, permission or sanction and subject to such laws, rules, regulations and guidelines as applicable from time to time, which at its sole discretion may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee of Directors which the Board may have constituted or may hereinafter constitute), the consent of the company be and is hereby accorded and the Board is hereby authorised to issue, offer and allot, at its sole discretion without any further consent of the company upto 20 (twenty) lacs Equity Shares of the face value Rs. 10/- each, to the Promoters of the Company and/or any of them and / or their relatives, associates, nominees and associated companies (hereinafter referred to as the Promoter's group) and/or Foreign Collaborator and/or to any other person or bodies corporate, whether or not he/they are members of the company, as are agreeable to subscribe, on private placement basis, at a price and/or premium not lower than as determined as per the guidelines issued by the SEBI and/or such other authorities, if any, in one or more tranches, in instalments or otherwise, as fully or partly paid up, and on such terms and conditions including the price or premium as the Board may in its absolute discretion think fit and proper.
- (ii) RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors or the committee thereof, as the case may be, and is hereby authorised to give such directions or instructions as they may, from time to time, deem fit and proper, or make any modification of any nature as the Board and/or the committee thereof may consider necessary or desirable in the best interest of the company, including settling any question of doubt or difficulty which may arise with regard to the offer, issue and allotment of the said equity shares, and to do all such acts, deeds, matters and things as the Board or Committee thereof may in their absolute discretion consider necessary, expedient and proper to give effect to the above resolution.

Regd. Office :
72-77, Industrial Estate
Hansi Road (Jind) Haryana 126102
30th August, 1997

By order of the Board
Haryana Leather Chemicals Ltd.

TOMY JOSEPH
Company Secretary

Notes :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not to be a member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before commencement of the meeting.
2. The Explanatory Statements as required by Section 173 of the Companies Act, 1956 in respect of Special Business are annexed hereto.
3. The Share Transfer Book and Register of Members of the Company will remain closed from 16th September, 1997 to 30th September, 1997 (both days inclusive).
4. Members are advised to notify change in their address, if any, specifying full address in block letters with pin code.
5. The Members/Proxies attending the meeting are requested to bring their copies of the Annual Report and the Attendance Slip sent herewith duly filled for attending the meeting.
6. Shareholders seeking any information with regard to the Accounts may write to the Company Secretary atleast 10 days in advance so that the information can be kept ready at the meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956.

Item No. 5

The Company was promoted by virtue of a Joint Sector Agreement dtd. 08.10.84 executed between Haryana State Industrial Development Corpn. Ltd. (HSIDC) and N.K.Jain & Associates. The existing Clause III (A)1 provides that the main object of the Company is to adopt and to carry into effect the Joint Sector Agreement or any modification thereof.

The parties have executed another agreement on 19.08.97, which provides that the agreement dtd. 08.10.84 will be no longer operative and, therefore, your Board of Directors felt that since the existing clause III(A)1 is no more



relevant, it may be amended by substituting a new clause as stated in text of the resolution to represent the real object of the Company.

Approval of shareholders is sought by passing the resolution as Special Resolution.

None of the Directors except Sh. N.K.Jain and Sh. Pankaj Jain, is interested in this resolution.

Item No. 6

The existing article 124 of Articles of Association provided for payment of Rs. 250/- (Rupees two Hundred and Fifty Only) as sitting fee to the Directors attending the Board Meeting. Amendments have been made from time to time to the Companies Act increasing the ceiling of sitting fee to encourage professionalism and growth of corporate sector. Therefore, the Board of Directors felt desirable to amend this article so that more professionals can be inducted in the Board and compensate them to match with the current trend.

Approval of shareholders is sought for passing the resolution as Special Resolution.

All Directors shall be deemed to be interested in this resolution

Item No. 7, 8 & 9

The promotional agreement (Joint Sector Agreement) dt. 08.10.84 between HSIDC and N.K.Jain & Associates had clearly defined, inter alia, the shareholding pattern of the Company, rights of each party to nominate Directors on the Board etc. and to give effect, such provisions of the agreement had been incorporated in the Articles of Association. Since the promotional agreement dtd. 08.10.84 is no longer operative and N.K.Jain & Associate being the only promoters, certain articles are required to be altered to avoid ambiguity.

The existing Article 141 provided that the chairman of the Company shall be nominee of HSIDC as per the terms of Joint Sector Agreement. HSIDC is no more entitled to nominate Chairman of the Company and they have already withdrawn their nominee. The new clause states that Chairman shall be nominee of N.K.Jain & Associate the only promoter left.

The existing Article 5 incorporated certain provisions of the Joint Sector Agreement as to how the equity shares of the Company may be issued /held between HSIDC and N.K.Jain & Associates, and the minimum period and percentage of equity to be held by HSIDC etc. Since the Joint Sector Agreement is not operating article 5 is no longer relevant. Therefore, the Board recommends deletion of article 5.

The existing Article 118(c) provides that the number of Directors HSIDC and N.K.Jain & Associates are entitled to nominate on the Board of the Company. HSIDC has already withdrawn their nominees from the Board and, therefore, it requires a suitable modification of the article 118(c).

Approval of shareholders is sought to pass the resolution no. 7, 8 and 9 as Special Resolutions.

None of the Directors except Sh. Pankaj Jain and Sh. N.K.Jain, is interested in the resolution no. 7, 8 & 9.

Item No. 10 & 11

The Company is proposing to raise long term funds for working capital, clearing the institutional dues/defaults, expansion and modernisation by issue of equity shares by way of private placement. Our present authorised share capital is not enough for raising additional equity capital. Therefore, the share capital clause in Memorandum and Articles of Association require amendment by addition of 10.00 lacs equity shares having face value of Rs. 10/- each aggregating Rs. 1.00 Crores. The approval of shareholders is sought for item no. 1 & 2 for amendment of capital clause in Memorandum and Articles of Association of the company by way of passing item no.1 as Ordinary Resolution and for item no. 2 as Special Resolution. The Directors of the company may be deemed to be concerned or interested in the resolution to the extent of equity shares that may be offered to them (if any) by way of private placement of shares.

Item No. 12

With a view to augment the long term resources of the company for meeting the long and short term working capital requirements, clearing the dues of the Financial Institutions and for expansion/ modernisation, the Directors have considered it advisable and to be in the interest of the company to raise finance through issue of Equity Shares on private placement basis to the promoters, their friends, relatives, associates and associated companies, Foreign Collaborators and/ or to any other person, who may agreeable to subscribe the shares whether or not a member.

The resolutions seek your consent to the proposed issue of the said Equity Shares pursuant to provisions of Section 81(1-A) of the Companies Act, 1956.

The Directors of the Company may be deemed to be concerned or interested in these resolutions to the extent of the Equity Shares that may be offered to and subscribed by them or by their relatives, associates and associated company(ies).

Regd. Office :

72-77, Industrial Estate

Hansi Road (Jind) Haryana 126102

30th August, 1997

By order of the Board

Haryana Leather Chemicals Ltd.

TOMY JOSEPH

Company Secretary



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Twelfth Report on the accounts and affairs of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	(Rs. lacs) 1996-97	(Rs. lacs) 1995-96
Sales Turnover	1097.45	1212.61
Gross Profit	115.56	107.57
<u>Deductions</u>		
Depreciation	34.22	33.07
Interest	65.30	76.64
Profit/ (Loss) Before Tax	16.04	(2.14)
Less : Provision for Tax	-	-
Profit/ (Loss) After Tax	16.04	(2.14)
Less : Previous Years' Adjustments	3.07	(0.20)
Less : Loss on sale of Fixed Assets	-	0.62
Less : Provision for Doubtful Debts	8.41	2.62
Net Profit/ (Loss) for the year	4.56	(5.18)
Add : Net Profit Brought Forward		
From the previous year	283.80	288.98
Net Profit Carried Forward	288.36	283.80

OPERATIONS

During the year the company has achieved a turnover of Rs. 10.97 crores as compared to previous year's turnover of Rs. 12.12 crores indicating a reduction of 9.5% in turnover as compared to the previous year. The reasons for lower turnover are as follows :-

- During the year under review, the Company has rationalized the product range and has stopped production of some items which were very price sensitive and were not contributing significantly to the profits.
- The closure of tanneries in south due to pollution problem under the orders of Supreme Court resulted in loss of sales from the 'Southern Region'.
- Relocation of tanneries at Delhi also resulted in loss of sales for a few months - relocated tanneries have restarted their operations and the sales have recovered in the past few months.
- Migration of Chinese tanners and pollution problem in Calcutta has also resulted in the lower turnover from the Eastern Region. However, due to better market share from the other customers, the Company has sustained the level of turnover it had projected for this region.

In spite of the above reasons and loss of turnover, the company's profitability has shown improvement. Further, cost reduction measures have been taken up to reduce direct and indirect expenses. The cost increase due to power and energy cost has been partially offsetted with the reduction in other operating expenses.

During the year the Company has given major thrust for marketing management and improvement of deliveries has been possible due to reorganisation of the marketing department. The company's Acrylic Division has shown improvement and will continue to achieve better capacity utilisation as the products have been widely accepted all over India.

The company has also identified the products for shoe finishes which are under development and the company will be introducing the same next year. The Company has also been offered an opportunity to take up special pressure sensitive adhesive with the help of ICAP Sira Chemicals & Polymers SpA, Italy. This will greatly enhance the capacity utilisation of Acrylic Division.

On expiration of the Joint Sector Agreement, the private promoters and HSIDC have successfully concluded the Joint Sector Agreement and HSIDC has withdrawn their nominees Directors.



The company is negotiating for the foreign technology on shoe finishes. This year also your company has participated in various national and international trade fairs.

QUALITY CONTROL

Your Directors are pleased to inform you that the Company has recently obtained ISO 9002 certification. The Company is amongst the first few Indian Companies to get ISO 9002 in this industry.

Your Directors feel that the ISO standards will help the Company to improve further the quality of our products and services, and also to get national and international recognition for the company and its products.

DIRECTORS

During the year under review HSIDC has nominated Sh. Y.S. Malik, IAS, as Chairman in place of Sh. P.K. Chaudhery, IAS. However, HSIDC has subsequently withdrawn their nominees Sh. Y.S. Malik and Sh. Shashi Jain from the Board after various settlements of the Joint Sector Agreement.

The Board of Directors wishes to place on record their sincere appreciation of the valuable advice and guidance received from Sh. Y.S. Malik, IAS, Sh. P.K. Chaudhery, IAS and Sh. Shashi Jain as nominee Directors of HSIDC.

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association, Sh. V.K. Garg and Sh. H.K. Gupta, Directors retire by rotation and being eligible offer themselves for reappointment.

AUDITORS

At the forthcoming Annual General Meeting, members are required to appoint auditors for the current financial year. M/s S.C. Dewan & Company, Chartered Accountants, who retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. They have confirmed their eligibility for re-appointment under Section 224(1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

The industrial relations with the employees remained cordial throughout the year.

SAFETY AND ECOLOGY

The Company is continuously monitoring various measures inside the plant and laboratories to ensure high safety. The ecological parameters were also kept in constant check to maintain pollution free atmosphere.

OTHER INFORMATION DISCLOSURES

The comments of Auditors in their report are suitably explained wherever applicable in the notes to the accounts in Schedule 16 of Balance Sheet.

The half yearly unaudited results as on 31st March, 1997 published by the Company, vary from the audited results mainly due to consideration of materials in transit at close and bad debts not written off, now considered in audited accounts to present factual status.

The information relating to the conservation of energy, technology absorption and foreign exchange earning and outgo as required under Section 217 of the Companies Act 1956, are enclosed as 'Annexure A' to the report also forms part of this report.

None of the employees is drawing remuneration to the extent of the limits prescribed under Section 217(2A) of the Companies Act, 1956 except Managing Director and approval of shareholders had been obtained for his remuneration in the 10th Annual General Meeting.

ACKNOWLEDGEMENT

Board of Directors expresses their sincere thanks to Haryana State Industrial Development Corporation Limited and its office bearers for their continuous and commendable support and assistance from the inception of the Company.

We would also like to take this opportunity to extend our sincere gratitude to IFCI, SBI and government authorities, who have supported the growth of the Company.

We also take this opportunity to express our sincere gratitude to the employees of the Company for their loyalty and sincere service in contributing to the growth and high standards of performance.

For and on behalf of Board

Haryana Leather Chemicals Ltd.

Ambala Cantt., Haryana
30th August, 1997

PANKAJ JAIN
Managing Director

N K JAIN
Director